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SUBJECT: MARCH 16 PREMIER WEN JIABAO NPC PRESS CONFERENCE:  
ASAT/MILITARY SPENDING, TIBET, TAIWAN, JAPAN, HONG KONG,  
GROWTH, CAPITAL MARKETS, FOREIGN RESERVES

SUMMARY

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11. At his March 16 press conference immediately following conclusion of the National People's Congress (NPC), Premier Wen Jiabao made the following key points:

-- China's anti-satellite (ASAT) test was neither aimed at nor threatened any country and did not violate any international treaties. The PRC's position in support of the peaceful use of, and opposition to an arms race in, space remains unchanged.

-- China's security policy is defensive in nature. The PRC is committed to the path of peaceful development and maintains a limited military to safeguard China's security, independence and sovereignty.

-- If Prime Minister Abe's visit to China last October was an "ice-breaker," Premier Wen hopes his visit to Japan in April will be an "ice-melter." During the visit, consensus will be reached on establishing strategic and mutually beneficial relations. The PRC sympathizes with the Japanese abduction issue but believes it is an issue between Japan and North Korea.

-- The "door is always open" to dialogue with the Dalai Lama, as long as he recognizes that Tibet, and Taiwan, are inalienable parts of China's territory and abandons his separatist activities.

-- The PRC firmly opposes Taiwan secessionist activities of any form, such as promoting "de jure" independence.

-- Democracy, the rule of law, freedom, human rights, equality and fraternity are not peculiar to capitalism but are common values of mankind. China will promote political system reform and build democracy in its own way, according to its unique national conditions.

Comment: Some 700 journalists attended the Premier's standing-room-only press conference. Wen broke little new ground but answered questions for nearly two hours, coming across as warm, open and well-briefed on a range of issues, including hard questions on democracy, the Dalai Lama and China's military spending. END SUMMARY AND COMMENT.

Closing the NPC: Focus on the People

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12. At his press conference immediately following the conclusion of the NPC, Premier Wen began by thanking citizens across China for their attention to the "Two Meetings" (the National People's Congress (NPC) and Chinese People's Political Consultative Conference (CPPCC)), especially the more than 10,000 questions posed by "netizens" to the Premier online. The Premier said he took time to read and consider

some of the questions raised in these online forums. Over the past four years, the government has learned that all power of the government is given by the people and all power belongs to the people; everything it does must be for the people, it must rely on the people and must attribute all achievements to the people.

#### ASAT Test, Military Buildup: Not a Threat

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13. Asked to respond to the seeming contradiction between China's anti-satellite (ASAT) test and increased military expenditures with China's self-expressed peaceful rise and development, Premier Wen said the test was neither aimed at nor threatened any country and did not violate any international treaties. The PRC's position in support of the peaceful use of, and opposition to an arms race in, space remains unchanged. He called on relevant countries to sign an agreement on the peaceful use of space at an early date. China's security policy is defensive in nature. Because of its geographic position and painful historical experience, the PRC is committed to the path of peaceful development and maintains a limited military to safeguard security, independence and sovereignty. On this matter, China has been completely transparent.

#### Dalai Lama: Door for Dialogue "Open," but...

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14. In response to the question why the Dalai Lama is still considered a "splittist" by the Chinese government even though he now claims not to promote Tibetan independence, Wen Jiabao urged reporters to observe the Dalai Lama's actions rather than simply his words. The "door is always open" to

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dialogue with the Dalai Lama, as long as he recognizes that Tibet, and Taiwan, are inalienable parts of China's territory and abandons his separatist activities. Nevertheless, Wen pointed out that the Dalai Lama was chairman of the representative committee for Tibet's government in 1956, but later chose to go abroad, establish a government in exile, advocating a highly autonomous Tibet, the removal of the PLA and all non-Tibetan ethnic groups from Tibet. It therefore is not difficult to tell whether the Dalai Lama truly desires the nation's unity or wants to sabotage it.

#### Taiwan: Opposing "de jure" Independence

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15. On Taiwan, the Premier responded to a Taiwanese reporter by saying that the coming two years are crucial for cross-strait relations, emphasizing China's firm opposition to Taiwan secessionist activities of any form, such as "de jure" independence. China will never allow anyone to change the historical reality and internationally recognized status that Taiwan is an inalienable part of China since ancient times. China remains committed to peaceful development across the Taiwan Strait. China will continue to protect the lawful rights of the increasing numbers of Taiwan businessmen and compatriots on the mainland. China will promote the "three links," resolving the issue of direct charter weekend flights direct charter cargo flights. The mainland hopes to realize soon the dream of many mainland tourists to travel to Taiwan.

#### Japan-China Relations

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16. If Prime Minister Abe's visit to China last October was an "ice-breaker," Premier Wen hopes his visit to Japan in April will be an "ice-melter." During the visit, consensus will be reached on establishing strategic and mutually beneficial relations. The PRC sympathizes with the Japanese abduction issue but believes it is an issue between Japan and North Korea. The Three Political Documents are the

foundation for the development of China-Japan relations. We must uphold the spirit of these three documents and view history as a mirror while looking forward to the future.

#### Hong Kong

¶17. Over the past 10 years since Hong Kong was returned to the motherland, China has strictly followed the Basic Law, implementing the one country, two systems policy and not intervening in the internal affairs of the Hong Kong government SAR. Wen drew attention to Hong Kong's successful rebound from the 1997 financial crisis and the SAR's irreplaceable economic role.

#### Socialist Democracy

¶18. A reporter from Le Monde asked the Premier a) whether his recent Renmin Ribao article about China being in the initial stage of socialism meant that China would have no democracy for 100 years, and b) for his comment on Zhao Ziyang's recent memoir which calls for China to democratize in order to modernize. In reply, Wen said that, in his article, he said socialism and democracy are not incompatible. Democracy, the rule of law, freedom, human rights, equality and fraternity are not peculiar to capitalism but are common values of mankind. China will promote political system reform and build democracy in its own way, according to its unique national conditions.

¶19. It would be a misunderstanding to think that my article implied that China would not want democracy for 100 years. At this stage, we must accomplish two major tasks and two major reforms. The two major tasks are first, concentrate on developing social productive forces; second, promote social fairness and justice. The two reforms are to promote economic reform with marketization as the goal; and to promote reform of the political system with democratization as the goal. As for the book mentioned by the reporter, Wen said he had not read it and that it had nothing to do with his aforementioned views.

#### Economic Growth, Environmental Problems

¶10. Addressing the ability of the Chinese economy to sustain its high rate of growth, Premier Wen said China faces many challenges, but so long as the international environment is peaceful, he is confident they can be overcome. Challenges include market instability, regional development disparities,

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lack of coordination and reliance on foreign investment and exports to drive growth. Areas for improvement include increasing consumer demand, strengthening the knowledge economy, and removing obstacles for greater reform and opening.

¶11. Regarding the issues of increasing energy efficiency and controlling pollution, Premier Wen referred reporters to his eight points in his work report delivered to the NPC. Regarding China's stance on greenhouse gases, Wen said that China endorses the Kyoto Protocol. Although a developing country not bound by the Protocol's mandatory targets, China has nonetheless established its own national plan which includes a 20 percent energy consumption reduction per unit of GDP by 2010.

#### Stock Market, Foreign Reserves

¶12. Premier Wen said he pays attention to the development of the stock market but pays even more attention to the stock market's health. Since last year, the government has strengthened capital market institutions and promoted

stockholder reform. To establish a mature capital market, China must improve the quality of its listed companies, increase openness, fairness and transparency, while at the same time raising awareness among investors of the risks and exposure in the market. Turning to the soon-to-be-established institution in charge of investing China's foreign exchange reserves, Wen said the agency will not be affiliated with any government ministry or department and will follow market rules and regulations. The Premier stressed that China's non-financial outbound investment account of USD 73.3 billion is still relatively small. China will handle buying USD-denominated assets on the basis of mutual benefit, said Wen, maintaining this development would not relevantly impact the value of USD-denominated assets.

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